

Company holding millions of dollars in reserve fund

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HELENA (AP) — More than \$2 million that could insure hundreds of low-income children in Montana's CHIP program is instead being held in reserve by Blue Cross/Blue Shield, an advocate of the program has complained.

The company says the practice is a normal procedure in the insurance business. A state official agrees the company is abiding by its contract, but says the state may want to take a closer look at how the Children's Health Insurance Program is handled.

State records show that Blue Cross/Blue Shield of Montana accumulated a \$2.44 million "reserve" or surplus in CHIP funds by the end of 2002.

Company Vice President Tanya Ask said running a reserve is a normal insurance practice, and that part of the reserves helped cover a \$400,000 loss on the CHIP program in 2003.

But Mary Caferro, an organizer for a group that represents low-income people and believes CHIP should be expanded, said the money should be used to insure more kids, not to pad Blue Cross' bottom line.

"It's taxpayers' money, and it should be put into the program," she said. "That's what it was intended for. How many kids have gone without because we didn't have it?"

CHIP provides medical insurance for about 10,700 kids from families whose income is below 150 percent of the federal poverty level. That's about \$22,900 for a family of three in Montana.

Caferro pointed out that while Montana has more than 20,000 kids without health insurance, the state is not actively promoting expansion of CHIP, because of limited funds.

Chuck Hunter, head of the Child and Adult Health Resource Division, said Blue Cross is complying with its contract to operate CHIP. The state pays a set premium for the insurance offered by CHIP, and Blue Cross assumes the risk, he said.

But Hunter said the amount of money Blue Cross reaps from the contract is fairly high, and the state might want to take a closer look at it.

"I've actually thought about whether it would be better for the state to have a self-insured plan," he said. "I would certainly be interested in lowering (the administrative costs) if I could."

The federal government pays 81 percent of the program, and Montana pays the rest. The program covers basic medical costs, eyeglasses and dental care. Blue Cross, Montana's largest private insurer, administers the basic medical portion.

From 1999-2002, the state paid Blue Cross \$30 million for the CHIP contract. Blue Cross paid out \$22.3 million of it in claims for medical care and kept almost \$8 million, or 26 percent.

About \$4.5 million covered Blue Cross' administrative costs, state figures show. Blue Cross used \$1 million from the leftover pot to fund its "caring program," another insurance plan for needy families.

The state asked Blue Cross to stop using CHIP funds for the caring program in 2003. That leaves the "reserve," about \$2.44 million accumulated from 2000-02.

Several hundred children could have been insured for \$2 million of that money over that time period, according to state figures.

Caferro, with Working for Equality and Economic Liberation, said if Blue Cross charges 15 percent to 25 percent of CHIP funds, taxpayers aren't getting a good deal.

It makes more sense to have CHIP administered by the state, which has lower overhead, thus leaving more money for medical services, Caferro said.

"We need to keep public health in the hands of our public servants, because they don't have a profit motive," she said. "Public servants won't profit by diverting funds away from children."